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RUEHRL/AMEMBASSY BERLIN 0580
RUEHBY/AMEMBASSY CANBERRA 1287
RUEHDK/AMEMBASSY DAKAR 1644
RUEHKM/AMEMBASSY KAMPALA 2066
RUEHNR/AMEMBASSY NAIROBI 4497
RUEHGV/USMISSION GENEVA 1137
RUEAIIA/CIA WASHDC
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RHEHAAA/NSC WASHDC
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SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: Zim Notes 04-04-2008

SUMMARY

[¶1.](#) Zim Notes is a compendium of political & economic news items from Zimbabwe.

ZIM NOTES IS NOT FOR DISTRIBUTION OUTSIDE THE U.S. GOVERNMENT.
This newsletter is produced by the Political/Economic Section of Embassy Harare. It is intended to present a perspective on current events in Zimbabwe. Suggestions are welcome. Please let us know of anyone else who would like to receive it. Zim Notes is circulated in email form each week and can be accessed on Webgram and SIPRnet.
END SUMMARY.

Price Movements-Exchange Rate and Selected Products

[¶2.](#) Parallel rate for cash steady at ZW\$43million:US\$1; bank transfer rate: Z\$67 million; official rate: ZW\$30,000:US\$1

Sugar soared to Z\$85 million/2kg vs. controlled price of Z\$8million/2kg.

*Cooking oil rose to Z\$100million/750ml vs. controlled price of Z\$9.3million/750ml.

Petrol and diesel shot to Z\$80million/liter vs. controlled price of Z\$60,000/liter.

On the Political/Social Front

[¶3.](#) Presidential Results Yet To Be Announced... The Zimbabwe Electoral Commission (ZEC) has yet to release the results of the presidential election; ZEC is expected to announce them sometime

between today and Monday. Rumors have swirled this week, ranging from a ZANU-PF announcement that Mugabe had won the election to a negotiated settlement between ZANU-PF and the MDC under which President Robert Mugabe would step down. As of now, it appears the ZEC will announce a runoff, with neither of the candidates having earned the 50 percent plus one required to avoid one. While the Electoral Act requires a runoff within 21 days, it appears that Mugabe will claim the government is logistically unready, and set the date somewhere between 30 days and 6 months from the date the results are announced. See Harare 00278.

¶4. Historic Results, Opposition Wins Majority In House Of Assembly... For the first time in the country's 28 year history, ZANU-PF will not control the House of Assembly. Of the 210 seats, the MDC Tsvangirai formation won 99, ZANU-PF 97, the MDC Mutambara formation 10, and an independent one. Three remaining seats will be decided in by-elections. The MDC Tsvangirai formation penetrated rural areas and scored gains in traditional ruling party strongholds. Several ZANU-PF bigwigs lost their seats, including Justice Minister Patrick Chinamasa and Women's Affairs Minister Oppah Muchinguri. See Harare 00273.

¶5. Embassy Harare Election Observations: A Positive Experience... Embassy Harare's 11 election observation teams reported that voting took place in a calm and orderly manner. The teams were generally well-received and noted a sense of excitement coming from the electorate. Police had a noticeable presence in all polling stations and interacted cordially and professionally with observer teams. See Harare 00270.

¶6. SADC Tribunal Rules In Favor Of Zimbabwean Farmers... The Southern African Development Community (SADC) Tribunal ruled last

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week in Windhoek that more than 70 white Zimbabwean farmers who had been evicted from their land could remain on their property pending a hearing on their joint application on May 28. The farmers are challenging the legality of Zimbabwe's fast-track land reform. Their suit has been joined with that of Michael Campbell whose case is now pending before the court.

¶7. Migration From Zimbabwe... The Johannesburg-based Center for Development and Enterprise released last week a paper entitled Migration From Zimbabwe, Numbers, Needs, and Policy Options, which concluded that cross-border movement of people was on the rise and unlikely to slacken in the foreseeable future, and the crisis in Zimbabwe was increasing pressure on already strained and overloaded policies and systems for migration management in South Africa. See the paper at: http://www.cde.org.za/article.php?a_id=280.

Economic and Business News

¶8. Another Leap In Inflation... The Financial Gazette reported this week that the Central Statistical Office calculated the official rate of year-on-year inflation in February at 164,900 percent, up from 100,580 percent in January. A well regarded private sector report put the March y-o-y figure at over 370,000 percent and the month-on-month rate at close to 180 percent.

¶9. Anecdotally, we found that the price of a no-frills hotel buffet dinner in the provincial capital of Mutare had doubled from Z\$300 million to Z\$600 million in the one week between our pre-election observation visit and Election Day.

¶10. New Higher-Denominated Notes Released... The Reserve Bank of Zimbabwe (RBZ) issued Z\$25 million and Z\$50 million notes today. The new highest-denominated note is worth about USD 1.16. The RBZ also raised the daily cash withdrawal limit for individuals and companies to Z\$ one billion.

¶11. Olivine Industries Benefits From GOZ Largesse... A former executive of Olivine Industries until the HJ Heinz majority shareholding was sold to the GOZ last year told us that new management had negotiated 100 percent retention of its forex

earnings. (The Reserve Bank otherwise takes 35 percent and pays it back in local currency at the ludicrous official exchange rate.) In addition, Olivine is now getting more frequent price relief from the National Incomes and Pricing Commission (NICP). While there is a bit more oil in the market, it is mostly going into margarine and baking fats to ensure the baking industry's survival. For background on other U.S. companies' departure from Zimbabwe, see Harare 00280.

¶12. Wheat Stocks Dry Up... The Financial Gazette reported last week that the National Bakers Association estimated that Zimbabwe needed to import US\$120 million worth of wheat (about 300,000 MT out of an annual national requirement of about 500,000 MT) beginning in April to carry the country through to the arrival on the market of the winter wheat crop in November. Last year's wheat harvest of 144,000 MT was the smallest since independence.

¶13. Reading The Tea Leaves In Zimbabwe: Troubled Times... Production is down at Zimbabwe's two largest tea estates in the face of a severe labor shortage and lack of foreign exchange for inputs. In addition, the move to mechanization has reduced tea leaf quality and the amount of exportable product. Both estates have taken over the provision of many public services in their communities, but management recognizes that the situation is commercially unsustainable beyond the short term. See Harare 00277.

¶14. More Company Results, Mostly Grim... Publicly traded Hippo

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Valley Estates Ltd reported the lowest sugar production since the drought of 1992: 349,356 t, 22 percent off the 2006 figure. Analysts blamed the poor results on price controls, the unviable exchange rate, and poor agronomic practices of re-settled out-growers, although increased technical assistance and good weather conditions this season are grounds for some optimism.

¶15. Innscor's bakery outlets recorded 56 percent reduction in volume in the second half of 2007 due to flour shortages.

¶16. But pig and ostrich production was up. Triple C, a division of publicly traded Colcom Holdings, Zimbabwe's major pork processor, increased its pig output last year by 4.5 percent as it began to benefit from an out-grower project. Colcom also reported that 4,298 ostriches were slaughtered last year against 1,381 the year before. The projected output this season of 5,700 birds is destined entirely for the export market.

¶17. Tobacco Auction Floors To Open Soon (If There's Enough Wrapping Paper)... Industry players reported that a shortage of imported wrapping material was delaying the opening of Harare's tobacco auction floors until April 22.

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